

MONTHLY REVIEW – AUGUST 2025

Dear Clients, Colleagues and Partners

OUR PERSPECTIVE

"In the absence of the gold standard, there is no way to protect savings from confiscation through inflation." ~ Alan Greenspan, Economist and former Chairman of the Federal Reserve

Gold bugs are smiling. It is up more than 25% year-to-date and hitting record highs in nearly every major currency. Once again, gold has reminded investors why it is the world's oldest and most enduring form of money. Unlike fiat currencies, which bend under the weight of political expediency, gold remains constant, trusted, and scarce.

According to the [World Gold Council's Mid-Year Outlook 2025](#), the drivers are crystal clear: a U.S. dollar in secular decline, still-high geopolitical risk, and a structural bid from central banks diversifying away from US dollars. When the institutions that issue money are racing to own gold, investors should take note.

But there is more to this story than cyclical positioning. We have most-definitively entered what we define as the Fiscal Age: governments running chronic deficits as liabilities explode, weaponising fiscal policy, and relying on central banks to mop up the debt. This is not a temporary distortion. It is a structural shift! And in such a world, fiat money is destined to lose purchasing power.

The UK is perhaps the clearest case study. Inflation has proven stubbornly sticky, driven by energy insecurity, structural labour shortages, and populist fiscal promises. For savers and investors alike, this means a relentless erosion of wealth if portfolios remain tied only to sterling or gilts. Gold, in contrast, thrives in precisely these environments: it cannot be printed, inflated away, or devalued by political decree.

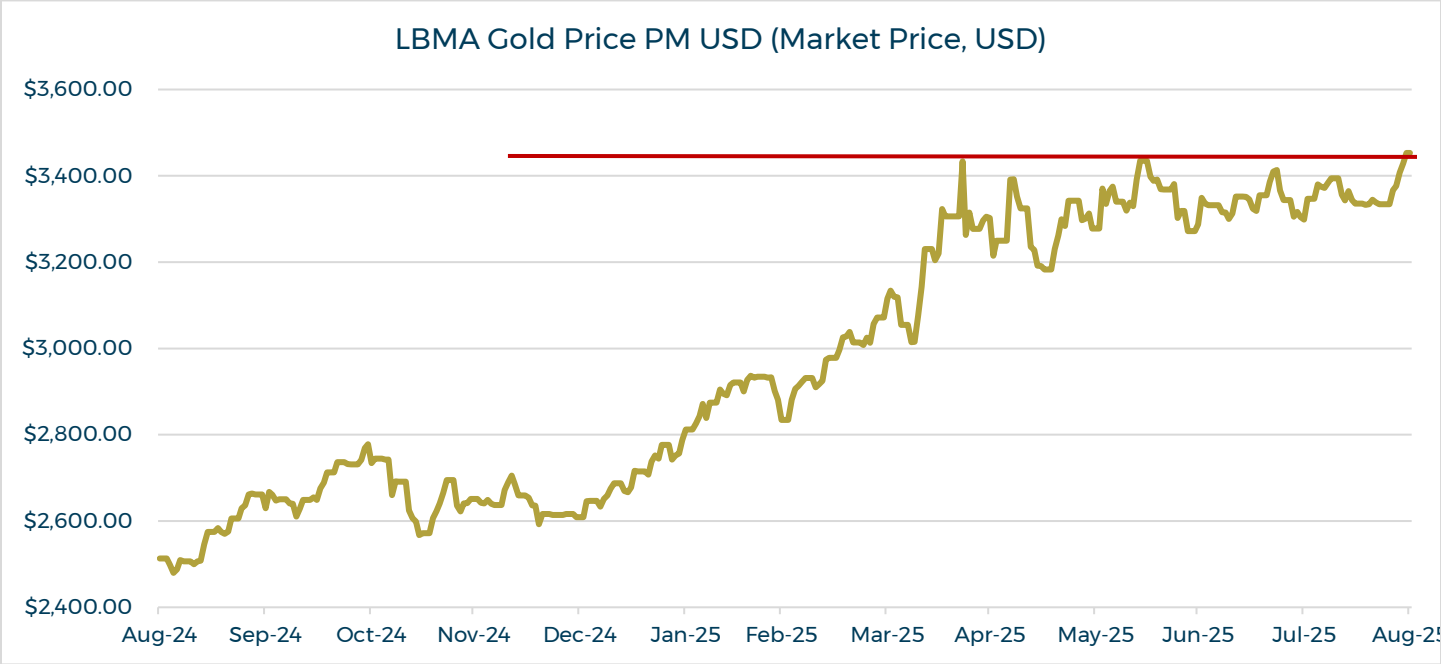
A **Gold Bug** is an investor with an unwavering belief in gold as the ultimate store of value. Typically, sceptical of fiat currencies and central banks, gold bugs view the metal as protection against inflation, monetary debasement, and financial crises – often advocating large, permanent portfolio allocations.

Nor is the U.S. immune. After a decade of "U.S. exceptionalism," signs of peak America are emerging. Productivity gains from AI cannot mask fiscal indiscipline forever. The dollar's aura as the unquestioned reserve currency is being questioned. As trade blocs diversify and global capital flows rebalance, prompts of its demise will increase. As the greenback weakens, gold shines brighter, not only as an inflation hedge but also as a currency hedge against U.S. decline.

The implication for investors is clear: gold is not just a tactical trade; it is a structural allocation. A 10% - 15% weight in portfolios provides a ballast against inflation shocks, fiscal excess, currency debasement, and geopolitical tail risks. In the Fiscal Age, where political cycles and debt dynamics drive markets, gold is the one asset that transcends regimes.

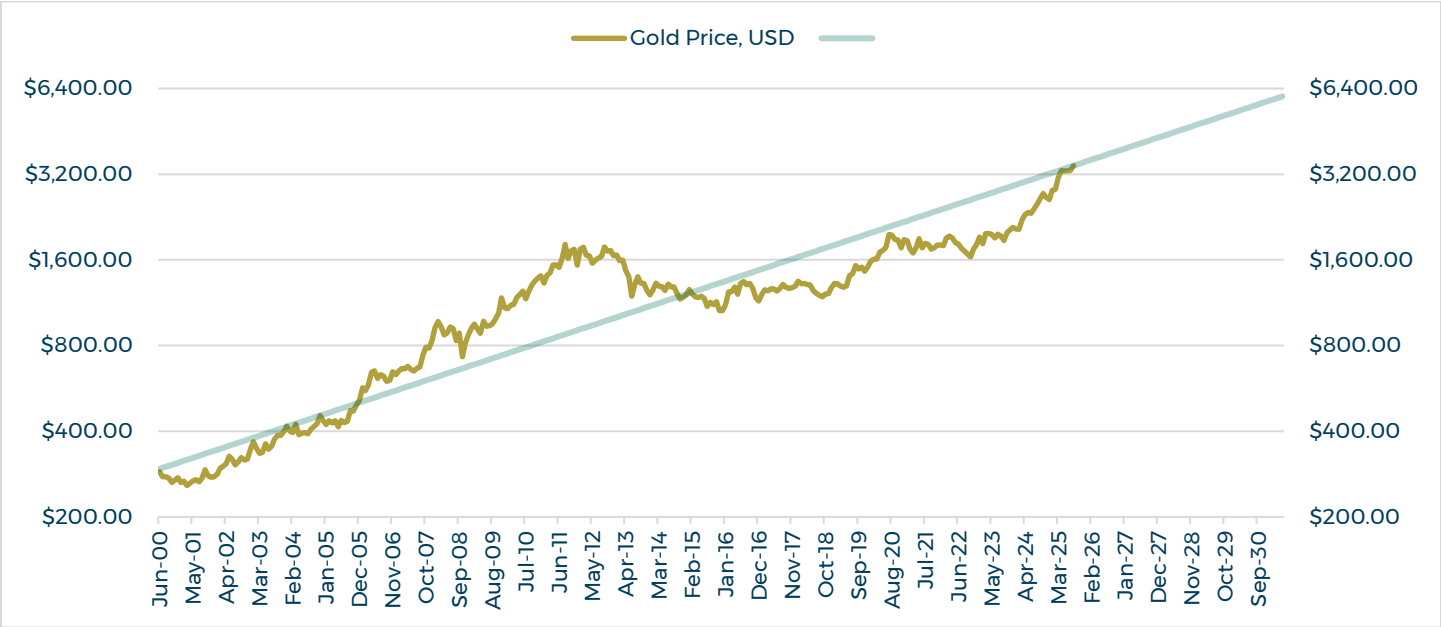
Gold isn't just a safe haven. It is the lifeboat in stormy fiscal seas – the asset investors will be glad they owned when confidence in paper money falters.

Exhibit 1: Gold has more room to move – and the latest breakout perhaps the catalyst for the next leg up!



Source: Shard Capital, Bloomberg L.P., 01/09/2025

Exhibit 2: If gold continues to deliver 10% CAGR as it has done over the past 25 years, it is set to hit \$6000 in May 2031:



Source: Shard Capital, 31/08/2025

MARKET REVIEW

Deflationary Boom Assets

(Equities, Corporate Bonds, EMD)

Equities advanced broadly in August, with standout gains in Asia. Japan rose +6.9% (USD) and China surged +7.2% (USD) on policy support and optimism around growth stabilisation. Europe ex-UK gained +3.4% (USD) and the UK +3.6% (USD), while the U.S. added +2.0% (USD), led by value stocks (+4.6% USD) over-growth (+1.7% USD) as higher real yields weighed on tech. Global equities climbed +2.6% (USD), while emerging markets gained +2.7% (USD).

Credit markets contributed, with U.S. corporates (+1.0%) and EM hard currency debt (+1.3%) supported by stable spreads and firm risk appetite.

Deflationary Bust Assets

(Government Bonds)

Sovereign bond returns diverged. U.S. Treasuries gained +1.1% (USD), with TIPS up +1.5% (USD) as inflation expectations held firm. The Global Aggregate index advanced +1.5% (USD).

In contrast, UK Gilts fell -1.1% (GBP) and inflation-linked Gilts dropped -2.6% (GBP) on persistent inflation concerns. Eurozone bonds also softened, with sovereigns down -0.4% (EUR) and inflation-linked bonds off -0.9% (EUR). Sterling corporates slipped -0.5% (GBP), while Euro corporates were flat (+0.0%).

Inflationary Boom Assets

(Commodities & Managed Futures)

Commodities posted mixed returns. Industrial metals gained, led by copper (+2.7%). Energy lagged, with Brent crude falling -6.1% (USD) and the Bloomberg Energy Index down -3.0% (USD) as supply concerns eased and demand softened. Bitcoin retreated -7.5% (USD) after recent strength.

Managed futures strategies staged a recovery, with the SG CTA Index rising +1.4% (USD) and the SG Trend Index +2.9% (USD), reversing part of this year's drawdowns as volatility created opportunities across rates and commodities.

Inflationary Bust Assets

(Precious Metals & Inflation-Linked Bonds)

Precious metals outperformed, with gold surging +4.8% (USD) and the Bloomberg Precious Metals Index up +6.4% (USD) on central bank demand and a weaker dollar. Gold's +4.8% (USD) rally extended its YTD gain to over 30%, reaffirming its safe-haven appeal.

U.S. TIPS delivered positive returns (+1.5%), but UK and Euro inflation-linked bonds remained under pressure, reflecting higher real yields. This divergence highlighted the resilience of physical inflation hedges like gold versus the vulnerability of linker markets to monetary repricing.

ASSET ALLOCATION

The below tables set out our current tactical asset allocation views and the investment thesis behind these.

	Positioning	Investment Thesis
FIXED INCOME		
DM – Government Bonds	NEUTRAL	Whilst yields in the U.S. Treasury markets are attractive, we note the risks from supply-demand mismatch, inflation and term-premia for longer duration U.S. Treasuries. We find short-dated TIPS especially attractive with high real rates relative to history. Duration in Europe and U.K. Gilt markets look more attractive as we believe long-term growth and inflation expectations remain too high.
DM – Corporate Bonds	UNDERWEIGHT	The risk-reward profile remains unattractive given tight credit spreads and macroeconomic risks.
EMD – Government Bonds	NEUTRAL	A strong US Dollar has negatively impacted EM Govt bonds. However, the tide has turned, and we believe the current administration will ensure a weaker US Dollar prevail, whilst current yields reflect most of the negative sentiment.
EMD – Corporate Bonds	NEUTRAL	Risks include negative economic shock, FX-mismatch. Attractive security specific / RV opportunities, where we prefer high quality, short-duration and hard-currency credit, which offers attractive yields with lower relative risk.
ALTERNATIVES		
Property & Infrastructure	NEUTRAL	We retain conviction behind infrastructure, especially in digital infrastructure and electrification where attractive and sustainable tailwinds persist. We believe infrastructure that provides long-term CF's and inflation protection offer attractive opportunities at current levels. Property markets remain uncertain and less attractive. Whilst there are perhaps niche / specific property assets with attractive characteristics, cap rates and valuations broadly do not reflect a higher interest rate regime we entered post-pandemic.
Commodities	OVERWEIGHT	We remain positive on precious metals, in particular gold, as geopolitical and economic uncertainty remains high, with optionality driven by policy missteps. Whilst sustainability of near-term demand remains uncertain, energy security, climate change, Asian growth, and the long-term demand characteristics, could provide attractive opportunities to increase exposure to the energy complex, Natural Gas in particular.
Private Equity	UNDERWEIGHT	Listed PE is always vulnerable to liquidity risks during periods of increased market dislocations. Furthermore, the risks from rising cost-of-capital and difficulties in refinancing is a risk we believe not fully reflected in private markets. We remain Underweight. On a selective basis, attractive discounts have opened up, which warrants attention.
Alternative Strategies	OVERWEIGHT	Uncertainty behind inflation and economic growth drive the opportunity for uncorrelated investment propositions, e.g. Hedge Funds. However, investors should consider the absolute opportunity relative to T-Bills. Attractive strategy specific opportunities exist with i) lower volatility, ii) uncorrelated profiles, iii) attractive risk-adjusted return expectations, and iv) long-volatility pay-off profile. We are especially bullish on CTA's and trend-following Managed Futures.

	Positioning	Investment Thesis
DEVELOPED MARKET EQUITY		
North America	UNDERWEIGHT	US equity market outperformance over the last 15 years have been significantly supported by multiple expansion, and valuations remain elevated on both absolute and relative levels. Despite the longer-term benefits from the AI revolution, we believe risks to profit margins remains significant. Whilst valuations in small and midcaps looks marginally more attractive, policy uncertainty and weakening sentiment we believe are major headwinds to U.S. small and midcaps.
UK	NEUTRAL	Whilst equity valuations, especially in the small and midcap market are attractive, political uncertainty, deteriorating economic outlook and inflation risks remain material. We retain a preference for high quality and stability and note the opportunity in small and midcap companies.
Europe ex-UK	OVERWEIGHT	FX and Stagflation risks have material declined. Whilst the lack of attractive themes in public markets persist, we believe a reversal of capital flows, attractive valuation and strong market momentum should persist.
Japan	OVERWEIGHT	Attractive valuation, macroeconomic tailwinds and ongoing market reform all underpin the opportunity in Japan. Corporate Japan's strong balance sheet and low valuations make for attractive risk-reward profile. We believe the Japanese Yen is significantly undervalued, and exposure to Japan should not be hedged.
EMERGING MARKET EQUITY		
Asia ex-Japan & China	OVERWEIGHT	We retain a preference for Asian emerging economies over non-Asian EM, driven by better fundamentals and lower reliance on externalities. However, we note the risks of contagion as China embark on a local deleveraging cycle and economic growth slows. India remains one of our highest conviction opportunities in the region, but valuations are stretched.
China	OVERWEIGHT	Overly pessimistic outlook and sentiment towards China are reflected in valuations. Whilst question marks with regards to demographics, real estate, debt, policy and alignment remain, sentiment are showing signs of turning less negative. The risk-reward remain skewed to the upside, and selectively attractive long-term opportunities have emerged.
Latin America	OVERWEIGHT	The changing political and macroeconomic environment, specifically the benefits from the 'near-shoring' of supply chains and the consequences of deteriorating China-US relations, creates attractive opportunities in Central and South America. Some uncertainty remains in the near term from US-policy and the outlook for global growth.
EMEA	UNDERWEIGHT	Preference for Asia & Latin America.

“Qui Curat Vincit”

CONTACT US

For further information on any of our services, or if you would like to arrange a meeting with an investment manager to see how we can work with you, please get in touch.

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